

## Message Text

SECRET

PAGE 01 CAIRO 14217 261514Z  
ACTION NEA-10

INFO OCT-01 ISO-00 AID-05 EB-08 CIAE-00 DODE-00 PM-05  
H-01 INR-07 L-03 NSAE-00 NSC-05 PA-01 PRS-01  
SP-02 SS-15 USIA-06 TRSE-00 OMB-01 XMB-02 IGA-02  
/075 W

-----071509 262321Z /65

R 261349Z AUG 77  
FM AMEMBASSY CAIRO  
TO SECSTATE WASHDC 8748

S E C R E T CAIRO 14217

DEPT ALSO PASS AID

E.O. 11652: GDS  
TAGS: EAID EG US  
SUBJ: SUEZ CANAL AUTHORITY (SCA) REQUEST FOR USG ASSISTANCE IN  
CANAL IMPROVEMENT PROGRAM

REF: (A) CAIRO 7110, (B) STATE 115932

1. REFTEL A REPORTED SUBSTANCE OF CALL UPON AMBASSADOR BY SCA  
CHAIRMAN MASHOUR IN APRIL OF THIS YEAR. IN BRIEF, MASHOUR  
ASKED FOR CORPS OF ENGINEERS (COE) PARTICIPATION IN PORT SAID  
BYPASS PORTION OF CANAL IMPORVEMENT PROGRAM AND REQUESTED AID  
FUNDING FOR SAME. AMBASSADOR POINTED OUT CERTAIN OBSTACLES TO  
AID FUNDING FOR SUCH AN EFFORT AND NOTED THAT COMPETING  
REQUIREMENTS BY BOTH DOE SERVICES AND AID FUNDING FOR EGYPT  
WOULD HAVE TO BE WEIGHED. AT ONE POINT MASHOUR INDICATED  
THAT, IF NECESSARY, HE (READ GOE) WAS WILLING TO FUND COE  
EFFORT FROM OWN RESOURCES.

2. EMBASSY/AID CAIRO ARE OF THE VIEW THAT, HOWEVER DESIRABLE  
COE ASSISTANCE TO SCA MIGHT BE, AID FUNDING FOR POSSIBLE COE  
WORK DESCRIBED ABOVE IS NOT RPT NOT APPROPRIATE IN LIGHT  
OF COMPETING EGYPTIAN REQUIREMENTS FOR ECONOMIC ASSIS-  
SECRET

SECRET

PAGE 02 CAIRO 14217 261514Z

TANCE. THIS JUDGEMENT IS ENTIRELY SEPARATE FROM RELATED  
QUESTION OF COE ASSISTANCE AND COMMITMENTS ADDRESSED IN  
REFTEL B.

3. ON 18 AUGUST ALUSNA (CAPTAIN BLOCK) CALLED ON MASHOUR TO  
DISCUSS SUBJECT. BLOCK INDICATED THAT, WHIEL AS MASHOUR  
HAD EARLIER BEEN INFORMED AID FUNDING OF COE PARTICIPA-

TION IN PORT SAID BYPASS EFFORT NOT FEASIBLE, AMBASSADOR KNEW OF MASHOUR'S INTEREST IN OBTAINING COE ASSISTANCE. IF MASHOUR STILL THOUGHT COE HAS UNIQUE CAPABILITIES WHICH HE NEEDS, AMBASSADOR WOULD TRY TO SUPPORT A REQUEST FOR SUCH ASSISTANCE ON CLEAR UNDERSTANDING THAT GOE WOULD FUND COSTS. BLOCK INDICATED THAT A WRITTEN STATEMENT OF SCA WILLINGNESS TO PROVIDE SUCH FUNDING WOULD STRENGTHEN EMBASSY'S HAND IN TRYING TO SECURE COE ASSISTANCE.

4. MASHOUR PROFESSED NOT TO RECALL HIS EARLIER STATEMENT. ON HIS PART, MASHOUR RECALLED USN CANAL CLEARANCE AND MINE SWEEPING EFFORT HAD BOTH BEEN AID FUNDED. WHY COULD AID NOT FUND PORT SAID BYPASS? ALUSNA AGAIN POINTED OUT COMPETING IN-COUNTRY REQUIREMENTS FOR AID FUNDING. HE ALSO NOTED GREAT DIFFERENCE BETWEEN SCA'S SITUATION IN 1974/75 AS COMPARED WITH NOW. SUEZ CANAL IS NOW EARNING CLOSE TO \$1.25 MILLION A DAY. WHILE THESE FUNDS MAY GO INTO GENERAL GOE REVENUES, IT NOT UNREASONABLE TO EXPECT THAT SOME OF THESE FUNDS SHOULD BE SPENT FOR CANAL IMPROVEMENT. BLOCK ALSO NOTED POSSIBLE DIFFICULTIES IN AID FUNDING OF WORK BY COE WHEN U.S. COMMERCIAL ASSISTANCE MIGHT BE AVAILABLE. MASHOUR RESPONDED THAT IN THAT EVENT HE WOULD PLACE LOT "L" WORK (PORT SAID BYPASS) ON COMMERCIAL TENDER WITHIN 20 DAYS. WHEN BLOCK POINTED OUT THAT THIS WOULD ELIMINATE COE, MASHOUR SAID HE KNEW THAT, BUT IF AID WOULD NOT FUND, HE WOULD PROCEED WITH  
SECRET

SECRET

PAGE 03 CAIRO 14217 261514Z

COMMERCIAL TENDERS.

5. MASHOUR THEN APPARENTLY DECIDED TO APPEAL MATTER TO FONMIN FAHMY. DURING AMBASSADOR'S MEETING WITH FAHMY ON AUGUST 21, THE FONMIN RAISED THE SUBJECT AND ASKED WHY WE WERE NOT BEING HELPFUL TO MASHOUR ON CANAL EXPANSION PROJECT, WHICH IS OF SUCH GREAT IMPORTANCE TO EGYPT. AMBASSADOR REMINDED FAHMY THAT USG HAS BEEN OF MAJOR ASSISTANCE TO SCA IN REOPENING SUEZ CANAL. MASHOUR'S LATEST REQUEST, MADE AT A TIME WHEN THE CANAL IS EARNING LARGE AMOUNTS OF MONEY, IS SIMPLY NOT THE BEST USE OF AID FUNDS AND WOULD SUBJECT AID PROGRAM TO CRITICISM. MOREOVER, AS MASHOUR HAD EARLIER SAID TO AMBASSADOR AND HAS ALSO INDICATED TO IBRD, SCA WOULD BE ABLE TO FUND COE ASSISTANCE IF AID FUNDING NOT AVAILABLE. AMBASSADOR EMPHASIZED HE WOULD STILL BE WILLING SUPPORT REQUEST FOR COE ASSISTANCE, WHICH WOULD DOUBTLESS BE OF GREAT USE TO SCA, IF SCA AGREES UNDERTAKE FUNDING. MASHOUR WAS COMING IN TO SEE FAHMY LATER THAT DAY AND WE ASSUME FONMIN CONVEYED AMBASSADOR'S COMMENTS. THESE WERE SIMILAR TO THOSE AMBASSADOR HAD MADE EARLIER TO MASHOUR.

6. ON AUGUST 22 ALSUNA RECEIVED CALL FROM SCA ASKING FOR AN APPOINTMENT FOR SC ENGINEER SAID EL-OGEIL, WAO HAD TRAVELLED FROM ISMALIA, ON EARLIR MASHOUR/BLOCK DISCUSSION. AN ALMOST EXACT REPLICA OF AUGUST 18 MEETING WITH MASHOUR TOOK PLACE, FOCUSING ON WHY AID COULD NOT HUND PORT SAID BYPASS PROJECT. ALSUNA WENT THROUGH SAME POINTS HE HAD GIVEN TO MASHOUR.

7. ON AUGUST 26, SAID EL -OGEIL ALSO VISITED WITH USAID DIRECTOR BROWN. BROWN REPEATED SAME BASIC POSITION EXPRESSED BY AMBASSADOR AND ALSUNA. IN ADDITION, BROWN POINTED OUT THAT PROGRAMMING OF FUNDS FOR FY 1977 AND PROJECTED USE OF FY 1978 AVAILABILITIES HAVE ALL BEEN  
SECRET

SECRET

PAGE 04 CAIRO 14217 261514Z

WORKED OUT WITH MINECON FOR OTHER PURPOSES THAT SCA AND HAD BEEN PRESENTED TO CONGRESS AS SUCH. AT THIS LATE DATE IN FY 1977, THERE IS NO WAY THAT FUNDS COULD BE DIVERTED TO CANAL PROJECT. EVEN IF MINECON SHOULD DESIRE TO CONSIDER CHANGES IN PRIORITIES IN FY 1978, THE REPROGRAMMING THAT WOULD BE INVOLVED WOULD INEVITABLY MEAN MAJOR DELAYS IN CONSIDERING SCA NEEDFBM UNDER CIRCUMSTANCES, THESE PRAGMATIC CONSIDERATIONS, IN ADDITION TO GENERAL QUESTION OF PROGRAM PRIORITIES, SIMPLY MEANS THAT ANY FURTHER EFFORT BY SCA TO OBTAIN AID FUNDING FOR LOT "L" WORK WOULD INEVITABLY MEAN MAJOR DELAYS IN GETTING THIS WORK UNDERWAY-- AND AS WE UNDERSTAND IT, DELAYS IN COMMENCING LOT "L" COULD HAVE SERIOUS REPERCUSSIONS FOR OVERALL CANAL WIDENING PROJECT. CONSEQUENTLY, BROWN REPEATED THAT IF SCA SERIOUSLY DESIRED COE HELP IN THIS PROJECT, THE ONLY WAY THIS COULD BE FURTHERED WOULD BE THROUGH REQUEST BY SCA FOR SELF-FINANCED PROGRAM WITH COE. BROWN SUGGESTED TO EL-OGEIL THAT SHOULD SCA CHAIRMAN MASHOUR WISH TO PURSUE THIS QUESTION FURTHER WITH THE AMBASSADOR, BROWN WAS SURE THAT MASHOUR WOULD GET EXACTLY THE SAME RESPONSE AT THAT LEVEL.

8. COMMENT: THERE THE MATTER STANDS FOR THE MOMENT. AMBASSADOR AND CONCERNED COUNTRY TEAM MEMEBERS HAVE LOOKED AT PROJECT AGAIN AND REMAIN OF THE VIEW THAT AID FUNDING IS NOT REASONABLE. SCA CAN OBTAIN NEEDED FUNDING FROM GOE RESOURCES, AS MASHOUR HIMSELF EARLIR INDICATED, AND THE JOB CAN BE HANDLED THROUGH COMMERCIAL CHANNELS. AMBASSADOR CONTINUES TO BELIEVE THAT COE PARTICIPATION IN SUEZ CANAL PROJECT DESIRABLE, BUT ONLY IF GOE IS PREPARED TO FUND ATTENDANT COST FROM ITS OWN RESOURCES. IT IS CONCEIVABLE THAT MASHOUR MAY AGAIN RAISE THE  
SECRET

SECRET

PAGE 05 CAIRO 14217 261514Z

SUBJECT WITH US HERE OR THAT FAHMY WILL RAISE IT WITH  
THE SECRETARY ON UPCOMING WASHINGTON VISIT. UNLESS  
DEPT/AID HAVE OTHER VIEWS, WE RECOMMEND THAT ANY RESPONSE  
TO EGYPTIAN APPLICATIONS MADE IN WASHINGTON SHOULD BE  
SIMILAR TO ABOVE.  
EILTS

SECRET

NNN

## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01-Jan-1994 12:00:00 am  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** CANALS, PROGRAM ASSISTANCE  
**Control Number:** n/a  
**Copy:** SINGLE  
**Sent Date:** 26-Aug-1977 12:00:00 am  
**Decaption Date:** 01-Jan-1960 12:00:00 am  
**Decaption Note:**  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 22 May 2009  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
**Document Number:** 1977CAIRO14217  
**Document Source:** CORE  
**Document Unique ID:** 00  
**Drafter:** n/a  
**Enclosure:** n/a  
**Executive Order:** GS  
**Errors:** N/A  
**Expiration:**  
**Film Number:** D770309-1181  
**Format:** TEL  
**From:** CAIRO  
**Handling Restrictions:** n/a  
**Image Path:**  
**ISecure:** 1  
**Legacy Key:** link1977/newtext/t19770820/aaaaaqz.tel  
**Line Count:** 181  
**Litigation Code IDs:**  
**Litigation Codes:**  
**Litigation History:**  
**Locator:** TEXT ON-LINE, ON MICROFILM  
**Message ID:** 687be852-c288-dd11-92da-001cc4696bcc  
**Office:** ACTION NEA  
**Original Classification:** SECRET  
**Original Handling Restrictions:** n/a  
**Original Previous Classification:** n/a  
**Original Previous Handling Restrictions:** n/a  
**Page Count:** 4  
**Previous Channel Indicators:** n/a  
**Previous Classification:** SECRET  
**Previous Handling Restrictions:** n/a  
**Reference:** 77 CAIRO 7110, 77 STATE 115932  
**Retention:** 0  
**Review Action:** RELEASED, APPROVED  
**Review Content Flags:**  
**Review Date:** 25-Jan-2005 12:00:00 am  
**Review Event:**  
**Review Exemptions:** n/a  
**Review Media Identifier:**  
**Review Release Date:** n/a  
**Review Release Event:** n/a  
**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
**SAS ID:** 1477144  
**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** SUEZ CANAL AUTHORITY (SCA) REQUEST FOR USG ASSISTANCE IN CANAL IMPROVEMENT PROGRAM  
**TAGS:** EAID, EG, US  
**To:** STATE  
**Type:** TE  
**vdkgvwkey:** odbc://SAS/SAS.dbo.SAS\_Docs/687be852-c288-dd11-92da-001cc4696bcc  
**Review Markings:**  
Margaret P. Grafeld  
Declassified/Released  
US Department of State  
EO Systematic Review  
22 May 2009  
**Markings:** Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009